



**Office of the Washington State Auditor
Pat McCarthy**

February 16, 2023

Board of Directors
Olympic Region Clean Air Agency
Olympia, Washington

Report on Agreed-Upon Procedures

Please find attached our report on the results of performing certain agreed-upon procedures as specified in our report.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT ACCOUNTANT'S REPORT

Jeffery Johnston, Executive Director
Olympic Region Clean Air Agency
2940 B Limited Lane N.W.
Olympia, WA 98502

To the Board of Directors and Management of the Olympic Region Clean Air Agency:

We have performed the procedures enumerated below related to the Agency's Air Operating Permit (AOP) program and the Agency's compliance with program's fiscal requirements established by Chapter 70A.15.2260-2270 of the Revised Code of Washington and Chapter 173-401 of the Washington Administrative Code (the specified requirements) during the period July 1, 2020 through June 30, 2022. The Agency's management is responsible for managing its AOP program, compliance with those requirements, and for the accuracy of its financial records.

The Agency's management and the Washington State Department of Ecology (Ecology) have agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the Agency and Ecology in determining whether the Agency complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Procedure Results

The agreed-upon procedures and associated results are as follows:

Procedures related to collection of fees

1. Inspect the Agency's written procedure for developing, assessing and collecting fees from its sources and determine whether it is more than three years old.

Results: The Agency's written procedures for developing, assessing and collecting fees from its sources were updated on November 22, 2020; they are less than three years old.

2. Compare totals from the AOP permit ledgers or systems to the general ledger for each fiscal year. (Applicable only if permits were issued out of a separate system than the general ledger and may only be feasible if permit amounts are included in the permit ledger or system.)

Results: We did not perform this procedure. The Agency issues permits out of a separate system than the general ledger. However, permit amounts are not included in the permit ledger or system.

3. Judgmentally select AOP permits issued during the engagement period and trace amounts to receipts and to the general ledger.

Results: We selected all AOP permits issued during the periods ended June 30, 2022 and 2021. The Agency billed \$92,616 and \$97,852, respectively. No exceptions were found as a result of applying this procedure.

4. Inspect a judgmental selection of AOP permit accounts receivables for each fiscal year and determine whether late fees were assessed and collection measures initiated in accordance with Authority policies and procedures.

Results: We traced all billings for AOP permits of \$92,616 and \$97,852 to actual payments of \$92,616 and \$97,852. There were no AOP permit receivables for either fiscal year.

Procedures related to computation of fees

5. Inspect invoices for a judgmental selection of AOP permits issued during the engagement period to ensure fees agreed with the Agency's approved fee schedule and fee calculation worksheets.

Results: We selected the five invoices for AOP permits issued during 2022 and 2021. No exceptions were found as a result of applying this procedure.

Procedures related to revenue and expenditure accounting

6. Identify which fund or accounts are used to account for AOP revenue and expenses.

Results: AOP revenues are accounted for in the AOP Title V account in the general ledger. Expenses charged directly to the AOP program are accounted for in AOP Title V Agency Cash Flows and Monthly Workload reports.

7. Inspect all Agency general ledger accounts used to account for AOP revenue and expenses and determine whether AOP revenue and expenses are commingled with other revenue sources or expense uses.

Results: AOP revenues and expenses are not comingled with other revenue sources or expense uses.

8. Judgmentally select expenses accounted for in non-AOP accounts during the engagement period and inspect supporting documentation to determine whether they were for AOP activities.

Results: We judgmentally selected 12 expense transactions from non-AOP accounts and determined they were not related to AOP activities.

Procedures related to authorized activities

9. Judgmentally select AOP program expenses (including payroll) for the engagement period and inspect supporting documentation to determine whether they were for allowable program activities.

Results: We judgmentally selected \$227,845 of expenses charged to the AOP program and determined they were for allowable program activities.

10. Inspect supporting documentation for a judgmental selection of tasks the sources were billed for during the engagement period and determine whether they were completed.

Results: We judgmentally selected two permits and determined the billed tasks had been completed.

11. Inspect the Agency's indirect cost allocations and determine whether indirect costs were also charged to the program as direct costs.

Results: The Agency allocated indirect costs of \$23,298. We determined these costs were not also charged to the program as direct costs.

Procedures related to available funds

12. Inspect Agency interim and year-end balance sheets for each fiscal year to determine if the AOP program had a negative fund balance at any time during the engagement period.

Results: July 2020 had a negative fund balance of \$56,282 and June 2022 had a negative fund balance of \$109,202. It is the Agency's policy and practice to adjust the billing the following year to account for negative fund balances.

13. Inspect uses of AOP program revenues collected in excess of actual program costs for each fiscal year and determine whether the Agency complied with its policy for handling excess program revenue.

Results: Collected program revenues exceeded actual program costs for 2022. The Agency complied with its policy for handling excess program revenue by adjusting its billings for the current year.

14. To ensure all Title V facilities were billed for permit fees during the engagement period, perform a query of all Title V sources and synthetic minors on an annual basis.

Results: We obtained a list of all 11 permits issued by the Agency for Title V sources and synthetic minors for the engagement period. We compared this list to billings and collections of \$603,433 and \$426,144 in 2022 and 2021, respectively, and determined that all 11 facilities were billed for permit fees.

About the Engagement

We were engaged by the Agency's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to

attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Agency's AOP program or on compliance with the specified requirements. Additionally, the agreed-upon procedures do not constitute an audit or review of the financial statements or any part thereof, the objective of which is the expression of an opinion or conclusion, respectively, on the financial statements or a part thereof. Accordingly, we do not express such opinions or conclusions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

February 8, 2023